Market Quick Take - Oil tops USD 95 and global bond yields reach multi-decade highs

Saxo Bank · 2026-09-02 · English original

Market drivers and catalysts

Macro: Stocks and bonds slid as surging oil prices fan inflation and rate-hike fears

Equities: US and European equities fell as oil and yields rose, Asia sold off sharply as the same pressures intensified.

Digital Assets: Crypto equities bore the risk-off session while fund inflows kept building quietly

Commodities: Brent above USD 95 as gold drops to three-week low

Fixed Income: Global yields lifted again Tuesday and early Wednesday, in part on the latest sharp rise in crude oil prices.

Currencies: The Japanese yen weakened to a new local low before rising early Wednesday on hawkish BoJ rhetoric. NZD punched lower by RBNZ guidance.

Macro

Brent crude oil topped USD 95 after the US-Iran conflict escalated further as American forces launched fresh strikes and Tehran retaliated. President Trump also downplayed prospects for diplomacy, saying he was “not trying to force Iran to the bargaining table.” Traffic through the Strait of Hormuz remains sharply curtailed, although Treasury Secretary Bessent said 17 million barrels of crude transited on Monday, suggesting Iran does not control the waterway.

The Reserve Bank of New Zealand hiked its official cash rate 25 basis points to 2.75% as expected, but lowered its 2027 forecast for the policy rate, taking short-term NZ yields sharply lower. The New Zealand dollar weakened sharply in the wake of the decision.

European inflation accelerated. Eurozone flash headline inflation rose to 3.3% year-on-year in August from 2.9% in July, the highest in close to three years, driven mainly by energy. Core inflation was little changed, which in our view softens the print somewhat. Germany’s manufacturing PMI was revised up to 54.3, the strongest since May 2022, on stronger new and export orders, although supply-chain pressures worsened. UK house prices rose 1.6% year-on-year, up from 1.4% but below the 2.1% forecast.

US July JOLTS job openings rose to 7.27 million from a downwardly revised 7.18 million, slightly below the 7.31 million consensus, while layoffs fell, leaving what looks like a low-hire, low-fire labour market. The ISM manufacturing gauge eased to 54.6 versus 55.2 expected and 55.6 in July, with the New Orders index dipping to 53.7 versus 56.8 expected and 56.7 in July and the Employment index falling to 51.2 versus 52.5 expected and 52.8 in July.

More in our Macro Analysis & Macroeconomic News

Macro calendar highlights (times in GMT)

1430 – EIA’s Weekly Crude and Fuel Stocks Report

Earnings events

Today: Broadcom, Snowflake, Hewlett Packard Enterprise, NetApp, Five Below

Thursday: Zscaler, Lululemon, Ciena, Samsara, DocuSign, Planet Labs

For all macro, earnings, and dividend events check Saxo’s calendar.

Equities

USA: The S&P 500 fell 0.7% to 7,631.47, the Nasdaq 100 dropped 1.3%, and the Dow fell 0.8% to 52,766.88, extending losses to a third session as higher oil prices and bond yields revived inflation and rate-hike concerns. Technology and consumer discretionary led declines while energy outperformed. CrowdStrike fell 6.9% as higher yields pressured growth software, while Micron lost 2.6% after unions representing most of its Taiwan workforce threatened strike action over bonuses. Apple bucked the selloff, rising 2.6% as John Ternus took over as chief executive from Tim Cook.

Europe: The Stoxx Europe 600 fell 0.6% to 647.46, the DAX lost 1.1%, the Euro Stoxx 50 declined 0.8%, and the FTSE 100 slipped 0.3% as rising oil prices, inflation and bond yields pressured equities and ended the Stoxx 600’s five-month winning streak. Partners Group dropped 7.3% after its CEO departure and weaker-than-expected performance income, while SAP fell 3.5% amid another analyst downgrade and concerns over its pace of AI monetisation. Novartis gained 6.3% after positive late-stage multiple-sclerosis trial data. Nokia and Engie will join the Euro Stoxx 50 on 21 September, replacing Volkswagen and Wolters Kluwer.

Asia: Asian equities fell sharply in Wednesday trading as renewed US-Iran strikes pushed oil and sovereign yields higher, deepening inflation and rate concerns. Japan’s Nikkei 225 was down around 3.0%, South Korea’s Kospi fell 3.5%, the Hang Seng slipped 0.8% and the Shanghai Composite lost 0.9%, with technology among the weakest areas. SoftBank Group fell 6.3% as Japanese technology shares sold off, while Samsung Electronics and SK Hynix also weighed heavily on Seoul. The reversal from Tuesday’s more resilient session put oil prices, bond yields and expectations for further central-bank tightening firmly back at the centre of the market.

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Digital Assets

Listed crypto took the brunt of the risk-off session while the coins held up better. Circle fell 7.1% and BitMine 7.7%, with Coinbase down 6.8% and Strategy 6.1%, although IREN was close to unchanged. Bitcoin has since eased toward USD 77,000 in Asian hours.

Fund flows kept moving the other way. US spot ether funds extended a net-inflow run to eleven sessions, and spot bitcoin funds took in USD 217 million on Monday. The Senate vote on the US Crypto Clarity Act is still outstanding after it missed the 60-vote threshold before the recess.

Commodities

Oil: WTI topped USD 92 a barrel and Brent USD 97 earlier in the session before retracing slightly, reaching their highest levels since late July after the US struck two Iranian government vessels, apparently as part of a new “tanker-for-tanker” policy aimed at deterring Iran from attacking ships transiting Hormuz. Iran retaliated against Jordan, Bahrain and Kuwait, which host American forces. Disruption fears remain the key price driver as commercial vessel traffic through the Strait remains curtailed. European gas prices also surged to a three-year high. Meanwhile, the API reported a weekly drop in US crude stocks, the first in five weeks if confirmed by the EIA later.

Precious metals: Precious metals remain on the defensive, extending recent declines as renewed oil price gains stoke inflation risks, pushing up bond yields while raising Fed rate-hike expectations. Meanwhile, India’s Modi urged Indians to avoid buying gold unless necessary as a widening trade deficit and weaker rupee strain the economy. A USD 414 top-to-bottom slump over the past week has wiped out gold’s gains following Bessent’s Treasury buyback announcement, forcing some recently established longs to exit. For now, gold’s inverse correlation with rising oil prices and bond yields remains the main focus, sidelining other potentially supportive drivers.

Agriculture: US grain futures turned lower on Monday following a three-week surge that drove the BCOM Grains Index to a 12.3% gain last month amid escalating attacks on Black Sea ports and vessels and global heat waves threatening output. While the supportive fundamental outlook remains intact, record hedge-fund buying has, within weeks, transformed the sector from underowned to a crowded long, leaving prices increasingly exposed to any deterioration in the technical or fundamental setup.

More in our Commodity News, Analysis & Commentary

Fixed Income

Global bond yields continued rising Tuesday and early Wednesday, in part on the sharp fresh rise in oil prices as the Strait of Hormuz situation escalated again. The benchmark US 2-year Treasury yield rose more than five basis points Tuesday to a new high since early 2025 at 4.40%, while the benchmark 10-year Treasury yield lifted as high as 4.81% after rising Monday above the key 4.75% level for the first time since January 2025. The next focus is 5.00%, a level that only traded briefly in late 2023 since 2007.

Japan’s short-term yields rose sharply on BoJ rhetoric and as US Treasury Secretary Bessent was seen encouraging further BoJ action on the sidelines of the G20 summit of central-bank and finance heads in North Carolina. Bank of Japan Governor Ueda hinted at a September rate hike and known hawkish BoJ member Takata also weighed in with comments supporting more policy tightening. The benchmark 2-year JGB yield rose more than five basis points to a new 31-year high of 1.85%. The 10-year JGB yield rose over three basis points Wednesday before dropping back more than two basis points to trade near 3.01% in late trading in Tokyo as Japan’s yield curve flattened.

Currencies

The US dollar firmed slightly, but volatility remains extremely muted, likely as traders mull the risk of USDJPY intervention as that pair wandered to a new one-month high near 160.39 before Bank of Japan Governor Ueda hinted at a September rate hike and BoJ hawk Takata weighed in with hawkish comments. This sent USDJPY back below 160.00 by early trading Wednesday in Europe, even as EURUSD traded near the low of the 24-hour and two-week range at 1.1580.

EURCHF rose to a new high for the year, trading just above the previous high-water mark of 0.9410, with the rise in global bond yields to new cycle highs the likely driver as the SNB maintains a zero-interest-rate policy for now.

The New Zealand dollar fell sharply after the Reserve Bank of New Zealand’s decision to hike the policy rate 25 basis points to 2.75%, as expected, as the bank said that further tightening was likely, but with the timing uncertain. The policy committee’s average forecast of the RBNZ policy rate for Q1 2027 fell slightly to 2.96% from 3.0% previously. NZDUSD fell from just below 0.5900 before the decision to as low as 0.5826, while AUDNZD rose sharply to 1.2233 from 1.2125, taking the exchange rate back within a stone’s throw of the 13-year high of 1.2288 from earlier this year.

More on currencies in our dedicated section: Forex Trading News & Analysis

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